

Message Text

LIMITED OFFICIAL USE

PAGE 01 DUBLIN 00646 01 OF 02 181139 Z

47

ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

COME-00 EB-11 LAB-06 SIL-01 AGR-20 OMB-01 TRSE-00

RSR-01 /132 W

----- 099577

R 181045 Z MAY 73

FM AMEMBASSY DUBLIN

TO SECSTATE WASHDC 4672

INFO AMEMBASSY PARIS

AMEMBASSY LONDON

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY LUXEMBOURG

AMEMBASSY BONN

AMEMBASSY ROME

AMEMBASSY COPENHAGEN

USS MISSION EC BRUSSELS UNN

US MISSION OECD PARIS UNN

LIMITED OFFICIAL USE SECTION 1 OF 2 DUBLIN 0646

E. O. 11652: N/ A

TAGS: EFIN, ECON, ECRP, EI

SUBJ: IRISH BUDGET: REACTIONS AND COMMENT

SUMMARY: REACTIONS TO GOI BUDGET INTRODUCED IN DAIL
MAY 16 (SEE SEPTTEL) CONCENTRATED ON NEW SOCIAL BENEFITS
PROPOSED AND HOW THOSE BENEFITS WOULD BE FINANCED.
OPPOSITION CLAIMED BUDGET MEASURES WOULD SPUR INFLATION
AND HURT MIDDLE CLASS. UNIONS CRITICIZED FAILURE TO
INTRODUCE TAXATION OF FARMERS OR SIGNIFICANTLY
REDISTRIBUTE WEALTH THROUGH TAX REVISIONS. FARMERS
DISAPPOINTED THAT DEATH DUTIES NOT ABOLISHED. INCREASED
VAT AND OTHER INDIRECT TAXATION CRITICIZED, WHILE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 DUBLIN 00646 01 OF 02 181139 Z

BENEFITS OF BUDGET WERE EXPECTED AND THEREFORE ANTI-CLIMAX. WHILE BUDGET DOES NOT MOVE FAR TOWARD IMPLEMENTING SOCIAL CONTRACT OBSERVERS FEEL NECESSARY TO CUT WAGE- PRICE SPIRAL, GOI MAY EVENTUALLY MOVE IN THIS DIRECTION. END SUMMARY.

1. LEADING POLITICAL ATTACK ON MINISTER FOR FINANCE RYAN'S BUDGET SPEECH MAY 16, OPPOSITION SPOKESMAN COLLEY NOTED THAT GOVT WAS IN EXTREMELY FAVOR POSITION, RESULTING FROM SOUND MANAGEMENT BY PRECEDING FIANNA FAIL GOVT AND BONANZA AVAILABLE BECAUSE OF EC ENTRY, WHICH HAD BEEN OPPOSED BY SOME LABOR MEMBERS OF NEW GOVT. COLLEY SAID BUDGET PROPOSALS, INCLUDING DEFICIT AND HIGHER PRICES RESULTING FROM VAT INCREASES, WOULD CAUSE PRICE EXPLOSION AND LEAD TO ECONOMIC CHAOS. INCREASED GOVT BORROWING WOULD REDUCE FUNDS AVAILABLE TO INDUSTRY AND PRIVATE SECTOR. REMOVAL OF VAT FROM FOOD, COMPENSATED BY INCREASES ON OTHER ESSENTIALS, WAS "CONFIDENCE TRICK." COALITION HAD NOT LIVED UP TO ITS PROMISE RE PRICE CONTROLS. COLLEY CLAIMED BUDGET PROVIDED LOWER BENEFITS TO SOCIAL WELFARE CLASSES THAN FIANNA FAIL WOULD HAVE GIVEN AND WOULD NOT IMPROVE INCOME DISTRIBUTION. PROMISES RE ABOLITION OF ESTATE DUTIES HAD NOT BEEN FULFILLED, AND WEALTH TAXES AND CAPITAL GAINS TAXES FORGOTTEN. BUDGET DISPLAYED LACK OF CONCERN FOR SOCIAL JUSTICE.

2. OPPOSITION LEADER LYNCH IN SPEECHES MAY 16 AND 17 STRESSED HARDSHIPS THAT BUDGET WOULD INFLICT ON MIDDLE INCOME GROUPS THROUGH INCREASED TAXES AND REDUCTION OF CHILDREN'S ALLOWANCES FOR PERSONS WITH INCOMES OVER 2500 POUNDS. HE CALLED SOCIAL WELFARE PLANS WASTEFUL AND UNFAIR.

3. TRADE UNIONS WELCOMED IMPROVED SOCIAL WELFARE PROVISIONS BUT WERE DISAPPOINTED THAT INCOME TAX ALLOWANCES WERE NOT SIGNIFICANTLY INCREASED. THIS AND OMISSION OF CAPITAL GAINS TAX AND CONTINUED EXCLUSION OF FARMERS FROM INCOME TAX MEANT THAT GROSS INEQUITIES OF TAX SYSTEM WOULD CONTINUE. INCREASED TAXES PROPOSED BY GOI COULD INCREASE PRICES BY UP TO LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 DUBLIN 00646 01 OF 02 181139 Z

TWO PERCENT AND WERE HARDLY PROGRESSIVE. THIS POINT WAS ECHOED BY ASSISTANT SECRETARY TO FORMER TAOISEACH LYNCH IS "IRISH TIMES" ARTICLE. PROPOSED DEFICIT WOULD NOT STIMULATE SUFFICIENT GROWTH, AND MOVEMENT TOWARD COMPREHENSIVE SECTIONAL ECONOMIC PLANNING WAS LEFT UNMENTIONED.

4. BUSINESS CRITICIZED INCREASED TELEPHONE AND POSTAL RATES, AND RELEVANT INDUSTRIES NATURALLY CRITICIZED TAX OR VAT INCREASES ON THEIR PRODUCTS. CONFEDERATION OF IRISH INDUSTRY WELCOMED EXPANSIONARY ASPECT OF CAPITAL BUDGET AND REDISTRIBUTION OF WEALTH ARISING FROM INCREASE IN SOCIAL WELFARE BENEFITS. CII WAS DISAPPOINTED THAT INCIDENCE OF DIRECT TAXATION ON COMPANIES AND INDIVIDUALS HAD NOT BEEN REDUCED AND NO ACTION TAKEN TO SPREAD TAX BURDEN MORE EQUITABLY. FEDERATED UNION OF EMPLOYERS CRITICIZED BURDEN SOCIAL IMPROVEMENTS WOULD CREATE FOR EMPLOYERS, BUT WELCOMED SMALL IMPROVEMENT IN TAX POSITION OF MARRIED WOMEN, GOI COMMITMENT TO VOLUNTARY NEGOTIATION OF NATIONAL WAGE AGREEMENT, AND INTENTION TO CONSULT WITH SOCIAL PARTNERS.

LIMITED OFFICIAL USE
NMAFVVZCZ

ADP000
LIMITED OFFICIAL USE

PAGE 01 DUBLIN 00646 02 OF 02 181149 Z

47
ACTION EUR-25

INFO OCT-01 ADP-00 CIAE-00 DODE-00 PM-09 H-02 INR-10 L-03

NSAE-00 NSC-10 PA-03 RSC-01 PRS-01 SS-15 USIA-12

COME-00 EB-11 LAB-06 SIL-01 AGR-20 OMB-01 TRSE-00

RSR-01 /132 W
----- 099686

R 181045 Z MAY 73
FM AMEMBASSY DUBLIN
TO SECSTATE WASHDC 4673
INFO AMEMBASSY PARIS
AMEMBASSY LONDON
AMEMBASSY THE HAGUE
AMEMBASSY BRUSSELS
AMEMBASSY LUXEMBOURG
AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY COPENHAGEN
US MISSION EC BRUSSELS UNN
USMISSION OECD PARIS UNN

LIMITED OFFICIAL USE SECTION 2 OF 2 DUBLIN 0646

5. FARM ORGANIZATIONS EXPRESSED DISAPPOINTMENT AT

FAILURE TO ABOLISH DEATH DUTIES, WHILE WELCOMING EXPANSIONARY AND SOCIAL- MINDED ASPECTS OF BUDGET. THEY WERE PROBABLY MORE THAN RELIEVED AT STAYING OUT-SIDE TAX NET.

6. MEDIA REACTION AND COVERAGE WAS EXTENSIVE. " IRISH TIMES" STATED THAT BUDGET WAS MOST PROGRESSIVE YET BUT THAT MAIN COST WOULD FALL ON MIDDLE INCOME GROUPS, THOSE SLIGHTLY BETTER OFF THAN THOSE WHO RECEIVE THE BENEFITS. IT NOTED THAT, APART FROM FIANNA FAIL, IT IS GENERALLY FELT DEFICIT COULD BE HIGHER AND BUDGET THUS MORE POPULAR. TIMES CONCLUDED THAT BUDGET LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 02 DUBLIN 00646 02 OF 02 181149 Z

WAS EXCITING AND DARING ONLY ON SOCIAL SIDE, BUT REFLECTED CONSERVATISM ON TAXATION SIDE. MORE PEOPLE PROBABLY WILL BENEFIT THAN LOSE, BUT APPROACH TOWARD INCOME DISTRIBUTION WAS VERY LIMITED AND INFLATION WILL CONTINUE TO BENEFIT THE HIGHER PAID. TIMES CRITICIZED FAILURE TO BRING FARMERS INTO TAX NET.

7 PRO- FINE GAEL " IRISH INDEPENDENT" WAS NOT AS FAVORABLE AS MIGHT BE EXPECTED, PRAISING SOCIAL AND EXPANSIONARY MOVES, BUT CRITICIZING IMPORT TAX INCREASES WOULD HAVE ON MIDDLE CLASS AND " ASTONISHING" FAILURE OF RYAN TO MENTION EVEN POSSIBILITY OF TAXING FARMERS.

8. PRO- FIANNA FAIL " IRISH PRESS" CLAIMED BUDGET HAD HELPED FIANNA FAIL PRESIDENTIAL CANDIDATE CHILDERS AS IT WAS INFLATIONARY, SQUEEZED MIDDLE CLASS, TOOK LITTLE FROM RICH, AND GAVE LITTLE TO POOR. INCREASED PRICES GENERATED BY INCREASED TAXES WOULD HURT TOURISM. PRESS ATTACKED GOI FOR FAILING TO STABALIZE AND POSSIBLY REDUCE COST OF LIVING AS BRITAIN AND US HAD DONE.

9. COMMENT: BUDGET IS ANTI- CLIMAX IN SOCIAL WELFARE SPHERE, AS IT IS FULFILLMENT OF SOME (NOT ALL) COALITION' S PRE- ELECTION PROMISES AND MANY OF ITS EXPECTED PROVISIONS WERE DISCUSSED EXTENSIVELY IN PRESS PRIOR TO MINISTER' S SPEECH. THUS, INCREASES IN VAT ON ITEMS OTHER THAN FOOD AND IN EXCISE AND OTHER INDIRECT TAXES AND ADVERSE IMPACT THESE MEASURES MAY HAVE ON MIDDLE CLASS SEEM TO BE GETTING MORE ATTENTION. FARMERS ARE DISTRUBED AT FAILURE TO ABOLISH DEATH DUTIES, AND EVERYONE ELSE AT FAILURE TO TAX FARMERS.

10. MORE SIGNIFICANT FOR ECONOMY, BUDGET DID LITTLE TO IMPLEMENT REDISTRIBUTION OF INCOME AND " SOCIAL CONTRACT" WHICH MANY OBSERVERS FEEL IS INCREASINGLY NECESSARY IN ORDER MAKE INROADS ON TWIN IRISH PROBLEMS OF HIGHEST INFLATION AND UNEMPLOYMENT IN EC. THERE WILL

BE LITTLE INCENTIVE TO LABOR TO REDUCE ITS WAGE DEMANDS
AT NEXT NEGOTIATION OF NATIONAL WAGE AGREEMENT IN SEPT.
BUDGET APPEARS TO REFLECT INFLUENCE OF CONSERVATIVE
WING OF FINE GAEL, REPRESENTED BY RYAN AND TAOISEACH
LIMITED OFFICIAL USE
LIMITED OFFICIAL USE

PAGE 03 DUBLIN 00646 02 OF 02 181149 Z

COSGRAVE, SPICED WITH SOME GIVEAWAYS ON SOCIAL WELFARE
SIDE. IT MAKES NO EFFORT TO COPE WITH INFLATION, IN
FACT, AS CRITICS CHARGE, IT PROBABLY WILL CONTRIBUTE TO
PRICE SPIRAL.

11. GOVT, HOWEVER, HAS NOT HAD MUCH TIME TO THINK
THROUGH DEBATE AND FORMULATE ECONOMIC POLICY SINCE
ELECTION FEB 28. IT IS FACED WITH TIGHT PRESIDENTIAL
CONTEST TWO WEEKS FROM NOW AND PRESUMABLY WISHES TO
AVOID BEING OVER- BOLD, ESPECIALLY AS IT WON GENERAL
ELECTION BY SWITCHES IN FARM CONSTITUENCIES FROM
FIANNA FAIL TO FINE GAEL. GOVT WILL HAVE TO COME UP
WITH NEW PROGRAM TO REPLACE THIRD PROGRAM FOR ECONOMIC
EXPANSION AND NEW POLICIES MAY BE DEVELOPED WHEN IT IS
INTRODUCED. SORENSON

LIMITED OFFICIAL USE
NMAFVVZCZ

*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAY 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: boyleja
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973DUBLIN00646
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: n/a
From: DUBLIN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730548/aaaajkxc.tel
Line Count: 249
Locator: TEXT ON-LINE
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: boyleja
Review Comment: n/a
Review Content Flags:
Review Date: 06 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06-Aug-2001 by boyleja>; APPROVED <12-Sep-2001 by boyleja>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> gwr 980220
Subject: IRISH BUDGET: REACTIONS AND COMMENT
TAGS: ECON, ECRP, EFIN, EI, ECRP
To: BONN
BRUSSELS
EUR
LONDON
LUXEMBOURG
PARIS
ROME

SECSTATE WASHDC
THE HAGUE

Type: TE

Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005